Forest Carbon Incentives Subgroup
Forest Health Discussion Paper – July 20, 2010

Addressing forest health, primarily in Eastern Washington, offers multiple environmental benefits including increased carbon sequestration. While many forest health treatments, which are not economic and therefore are not occurring, could be labeled "beyond business as usual" and qualify as an offset, incentives appear offer a more promising option. This is in large part due to the fact that it is difficult to accurately quantify the benefits of avoided emissions at a level of precision required for offset markets.

Managing forest stands to conditions that are in balance with the carrying capacity of the site and have species compositions that are at lesser risk to major disturbance events can help address greenhouse gas emissions in two key ways which point to related funding options.

Avoided Emissions from Forest Wildfires

While wildfires releasing carbon sequestered in forest stands are part of the carbon-neutral cycle, the catastrophic wildfires now plaguing our public and private forests burn so hot and deep forest regeneration is delayed. Suppression costs to the State are also climbing — averaging $28.5 million over the last five years with a high of $47.5 million in 2007. These suppression costs, which are paid out of the State General Fund and Landowner Contingency Fund, suggest two possible funding sources:

- A direct GF-S appropriation by the Legislature.

- A credit for treated acres against the landowner assessments paid into the Landowner Contingency Account, which is currently 5 cents per acre, and the Forest Fire Protection Account, which is currently at $17.50 minimum for 50 acres plus 27 cents per additional acre. At these low rates, credits would need to apply over multiple years to be meaningful.

Additional In-Forest Sequestration

Poor forest health conditions also result in foregone opportunities to sequester carbon and may lead to early emissions of stored carbon. Overstocked forest stands stagnate, growing slowly and sequestering minimal amounts of carbon. Once thinned, the remaining trees grow more quickly absorbing and storing more CO_2 in the process. This increased growth and storage, makes managed forests more effective in removing CO_2 from the atmosphere and point to other possible funding options:

- A credit against the Forest Harvest Excise (5%) for the current and future harvest of treated acres is an option, but on private lands only one percent goes to the State General Fund and most of that (0.8%) is already credited for Forest & Fish riparian costs. A larger but diminishing percentage is available until 2014 on public lands.

- An appropriation from State Capital Budget, where $2 million was devoted to state lands in 2010, to address forest health and provide an economic stimulus.

Additional In-Product Sequestration

Taking forest health incentives one step further, some small logs harvested in connection with forest health treatments can be milled into 2x4s and other long-lived forest products providing "permanent" carbon storage that would not otherwise occur. If land management activities are not incentivized, an alternative would be a B&O tax credit for manufacturers using raw materials from forest health treatments. This would require developing a chain of custody methodology to avoid providing double incentives.